FEB 10 1942

IN THE

Supreme Court of the United States

October Term, 1941

No. 692

HARRIGAN CORPORATION,
Petitioner,

vs.

THE GERMANY CORPORATION,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

[redacted], Jr.,
Counsel for Respondent.

[redacted],
of Counsel.

INDEX

PAGE

Statement of the Case 2

Argument 7

List of Cases.

E. W. Bliss Co. v. Cold Metal Process Co., 102 F. (2d) 105, C. C. A. 6 ..... 1, 5

Crosley Corp. v. Hazeltine Corp., 122 F. (2d) 925, C. C. A. 3 ..... 1, 2

Crosley Corp. v. Hazeltine Corp., 38 F. Supp. 38 7

Detrola Radio & Television Corp. v. Hazeltine Corp., 313 U. S. 259 ..... 2, 3

E. Edelmann & Co. v. Triple-A Specialty Co., 88 F. (2d) 852 6

Hazeltine v. Abrams, 7 F. Supp. 908 ..... 2, 3, 4

Hazeltine v. Abrams, 79 F. (2d) 329 ..... 2, 4

Hazeltine v. Atwater Kent Mfg. Co., 34 F. (2d) 50 ..... 3, 4

Hazeltine v. Crosley, 39 F. Supp. 775 ..... 2, 4, 6

Hazeltine v. Detrola, 117 F. (2d) 238 2

Hazeltine v. Emerson, 41 F. Supp. 800 ..... 2, 4

Hazeltine v. General Electric Co., 19 F. Supp. 898 2

Hazeltine v. General Motors, 38 F. Supp. 880 ..... 2, 4

Hazeltine v. REB Service Corp., 8 F. Supp. 100 ..... 2, 3, 4

Lances v. Letz, 115 F. (2d) 916 ..... 4, 5

Milwaukee Gas Specialty Co. v. Mercoid Corp., 104 F. (2d) 589, C. C. A. 7th 1

Rule 13(a) of Rules of Civil Procedure 6

IN THE

Supreme Court of the United States

October Term, 1941

No. 892

HAZELTINE CORPORATION,
Petitioner,
vs.
THE CROSLEY CORPORATION,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

The petition in this case presents no ground warranting its grant.

There is no diversity of opinion between Circuit Courts of Appeals on the single, simple question involved. To the contrary, there is unanimity of opinion by the three Circuit Courts of Appeals that have considered the matter.[1]

In addition, petitioner's statement of the facts of the case is quite incomplete, and, because thereof, is quite misleading. Accordingly, it is believed that a complete restatement thereof is necessary.

---

[1] The present case, viz: *Crosley Corp.* v. *Hazeltine Corp.*, 122 F. (2d) 925, C. C. A. 3; *Milwaukee Gas Specialty Co.* v. *Mercoid Corp.*, 104 F. (2d) 589, C. C. A. 7th; *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F. (2d) 105, C. C. A. 6th.

Statement of the Case.

1. Petitioner, Hazeltine Corporation, is a patent holding company, the sole business of which is to acquire and own patents (of which it owns hundreds) with which it levies tribute from radio receiving set manufacturers in the form of royalties under license agreements, said royalties constituting its sole income.[2]

2. The litigious history of Petitioner since 1934 shows that its policy has been to subject radio receiver manufacturers (who refused to accept such a patent license) to a vigorously prosecuted campaign of intimidating and harassing patent threat and patent litigation.[3] Such litigation as was actually instituted took the form of (1) subjecting the manufacturer to a number of patent suits, each confined to one or two patents, which suits would be individually brought up and tried, one at a time, over a period of years, so as to keep the manufacturer—continuously and for years—under constant pressure, harassment and expense of patent litigation;[4] (2) subjecting customers of the manufacturer to patent infringement suit in jurisdictions far distant from that of the manufacturer, thereby subjecting the

---

[2] *Detrola Radio & Television Corp.* v. *Hazeltine Corp.*, 313 U. S. 259.

[3] *Hazeltine* v. *Abrams*, D. C. E. D. N. Y., 7 F. Supp. 908, affirmed C. C. A. 2nd, 79 F. (2d) 329; *Hazeltine* v. *REB Service Corp.*, D. C., E. D. N. Y., 8 F. Supp. 100; *Hazeltine* v. *General Electric Co.*, D. C., Md., 19 F. Supp. 898; *Hazeltine* v. *Detrola*, 117 F. (2d) 238, C. C. A. 6th, reversed 313 U. S. 259; *Hazeltine* v. *General Motors*, D. C., Del., 38 F. Supp. 880; *Hazeltine* v. *Crosley Corp.*, D. C., Ohio, 39 F. Supp. 775; *Hazeltine* v. *Emerson*, D. C., E. D. N. Y., 41 F. Supp. 800.

[4] See Crews affidavit, R. 8; Binns affidavit, R. 20; *Hazeltine* v. *Abrams* (Emerson), 7 F. Supp. 908, decided August 6, 1934; *Hazeltine* v. *Emerson*, 41 F. Supp. 800, decided October 6, 1941, suit filed August 15, 1934; *Detrola* v. *Hazeltine*, 313 U. S. 259. There is still pending another Hazeltine suit against Detrola in the Eastern District Court of Michigan, Equity No. 7967, instituted February 27, 1937, and not yet brought to trial.

manufacturer to the additional expense incident to being compelled to defend his customer far from his home jurisdiction, and at the same time suffer the possible loss of his customer's business because of the well known reluctance of trades-people to become involved in expensive patent litigation;[5] and (3) simultaneously subjecting a large number of customers of the manufacturer to patent suits to thereby impose upon the manufacturer the great expense incident to simultaneously defending a large number of customers, as well as the necessity of meeting and counteracting the commercial effect of such harassment and attempted intimidation of the manufacturer's commercial outlets.[6]

3. The obvious purpose of Petitioner's policy was to subject radio receiver manufacturers, who refused to pay Petitioner patent tribute, to such continuous and widespread intimidating and harassing threat, litigation and expense, that the manufacturer, faced with the inconvenience, expense, loss of sales outlets, or for the sake of peace, would be forced to accept the yoke of a tribute-paying license regardless of whether or not petitioner's patents were valid

---

[5] See Crews affidavit, R. 8; *Hazeltine* v. *Abrams,* D. C., E. D. N. Y., 7 F. Supp. 908, affirmed C. C. A. 2nd, 79 F. (2d) 329; *Hazeltine* v. *REB Service Corp.,* D. C., E. D. N. Y., 8 F. Supp. 100.

[6] *Hazeltine* v. *Atwater Kent Mfg. Co.,* 34 F. (2d) 50. In this case the District Court for the Eastern District of Pennsylvania said (at p. 51):

> "The plaintiff, however, has brought 26 suits in New York against sellers of the patented thing and intends at once to bring other suits in large number. The inevitable consequence has been and will be to play havoc with the whole business of the defendant by creating a panic among its patrons and customers so that they will be deterred from buying anything of the defendant."

or the alleged inventions thereof were being utilized,[7] and despite the fact that in *every* case that adjudication has been had since 1934, Petitioner's patents have either been held to be invalid or not infringed.[8]

4. The utilization of patents in the manner and for the purpose for which Petitioner has used them has long been recognized, and recently judicially characterized, as a patent "racket".[9] Until the Declaratory Judgment Act was enacted, the manufacturer had no protection from the patent racketeer unless a suit had been brought against the manufacturer, and even then the only available remedy was by appeal to the Court *in that suit* under general principles of equity. Such appeals to the Courts by an alleged wrong doer usually fared badly.[10]

With the enactment of the Declaratory Judgment Act, however, the situation was changed. As was stated by the

---

[7] The standard license agreement of Petitioner granted a license to each licensee under *all* of the hundreds of patents owned by Petitioner, upon payment of but a single royalty on each receiver manufactured (*Detrola* v. *Hazeltine,* 313 U. S. 259). By this device it was made impractical, if not impossible, for the licensee to avoid royalty payment on *every* receiver manufactured because to do so every claim of hundreds of patents would require analysis and legal interpretation with respect to *each* different receiver manufactured.

[8] *Hazeltine* v. *Abrams,* 7 F. Supp. 908; affirmed C. C. A. 2nd, 79 F. (2d) 329; *Hazeltine* v. *REB Service Corp.,* D. C., E. D. N. Y., 8 F. Supp. 100; *Detrola* v. *Hazeltine,* 313 U. S. 259; *Hazeltine* v. *General Motors,* D. C., Del., 38 F. Supp. 880; *Hazeltine* v. *Crosley,* D. C., Ohio, 39 F. Supp. 775; *Hazeltine* v. *Emerson,* D. C., S. D. N. Y., 41 F. Supp. 800.

[9] *Lances* v. *Letz,* 115 F. (2d) 916, 917, C. C. A. 2nd.

[10] See, for example, *Hazeltine Corp.* v. *Atwater Kent Mfg. Co.,* 34 F. (2d) 50, D. C., E. D., Pa. In that case, as appears from the opinion, although Petitioner had brought separate suits against twenty-six customers of the defendant before the Court, the injunction sought by the defendant to restrain Petitioner from such "inequitable" tactics, indulged in for "in *terrorem* purpose", was denied.

Court of Appeals for the Sixth Circuit in *E. W. Bliss* v. *Cold Metal Process Co.*, 102 F. (2d) 105, at page 109:

> "One of the purposes of the act was to provide a remedy to the challenger of a right the assertion of which injures him, yet who prior to the enactment of the statute was unable to secure an adjudication of his challenge until his adversary took the initiative."

5. In an exceptionally short time thereafter, the beneficial effect of the Act on the patent "racket" was so great as to be accorded published comment by Professor Borchard, as well as judicial notice. Thus, the Court of Appeals for the Second Circuit in *Lances* v. *Letz*, 115 F. (2d) 916, said (at p. 917):

> "One of the situations where the declaratory judgment is most helpful is that of patent litigation where a threat of suit for infringement has been made and not pressed for the attention of a court. 'This has had a most beneficial effect in curing what had become a racket. For patentees, none too sure of the validity of their patents, had often notified customers or licensees of their rivals or competitors of their intention to bring suit against all who dealt in the product in question.' Borchard, Declaratory Judgments, 9 Brooklyn L. Rev. 1, 30, 1939; cf. Leach v. Ross Heater & Mfg. Co., 2 Cir., 104 F. 2d 88, 91; E. I. DuPont DeNemours & Co. v. Byrnes, 2 Cir., 101 F. 2d 14; Zenie Bros. v. Miskend, D. C. S. D. N. Y., 10 F. Supp. 779; Mitchell v. Weber, Inc. v. Williamsbridge Mills, D. C. S. D. N. Y., 14 F. Supp. 954; 45 Yale L. J. 160, 1935, 1287, 1936."

6. Respondent is a radio receiver manufacturer, and is thoroughly conversant with the patent policy and litigious history of Petitioner.

7. On December 8, 1939, Petitioner, in writing, formally charged Respondent with infringing twenty-two of Petitioner's patents by the manufacture and sale of Respondent's radio receivers.

8. Convinced that its products did not infringe any valid patent of Petitioner, Respondent continued the manufacture and sale of its challenged radio receivers, whereupon, on May 15, 1940, Petitioner instituted patent infringement suit against Respondent on *two* of these twenty-two patents, in the United States District Court for the Southern District of Ohio, Western Division.[11]

9. Because Petitioner took no action with respect to the remaining *twenty* patents for more than a year after the infringement notice, and not being willing to wait "until his adversary should see fit to begin suit, after damage had accrued",[12] Respondent, on January 13, 1941, instituted the present suit in the jurisdiction of Petitioner's domicile, seeking a declaratory judgment as to the validity and infringement of those twenty patents which were still held over Respondent by Petitioner as a continuing threat.

10. Instead of filing a counterclaim for infringement of the twenty patents under the provisions of Rule 13(a) of the Rules of Civil Procedure,[13] which should have been

---

[11] This suit was tried and resulted in a dismissal of the complaint because of non-infringement, without passing on the issues of validity involved. *Hazeltine* v. *Crosley*, 39 F. Supp. 775. The case is now pending in the Sixth Circuit Court of Appeals.

[12] *E. Edelmann & Co.* v. *Triple-A Specialty Co.*, 88 F. (2d) 852, 854, C. C. A. 7th.

[13] Rule 13(a) of the Rules of Civil Procedure reads:

> "COMPULSORY COUNTERCLAIMS. A pleading shall state as a counterclaim any claim, not the subject of a pending action, which at the time of filing the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the Court cannot acquire jurisdiction."

mandatory if the original charge of infringement and threat of suit had been made in good faith, Petitioner, on January 30, 1941—*seventeen days after the filing of the complaint in this cause*—filed nine suits against Respondent in the District Court for the Southern District of Ohio, Western Division, charging infringement of fifteen of the twenty patents; and on February 3, 1941 Petitioner's answer was filed in the present cause with no counterclaim charging infringement of *any* of the patents.

11. On February 3, 1941, Respondent filed a motion in the present suit asking for an injunction restraining the Petitioner from prosecuting the nine suits in Ohio (R. 5). The motion was based on the obvious impropriety of permitting the prosecution of those nine suits in Ohio until after an adjudication of validity and infringement of the same patents there asserted, had been received in the present case.

12. On April 15, 1941, the District Court of Delaware denied Respondent the injunction it sought.[14]

13. An appeal was taken by Respondent, and the Third Circuit Court of Appeals below filed its opinion on September 11, 1941, reversing the District Court and ordering the injunction to issue.[15]

Argument.

On the foregoing statement of the case, it is believed that no extensive argument is necessary to show the utter want of merit in the petition for writ of certiorari, and the complete absence of any ground which would warrant its grant.

---

[14] *The Crosley Corp.* v. *Hazeltine Corp.*, 38 F. Supp. 38.

[15] *The Crosley Corp.* v. *Hazeltine Corp.*, 122 F. (2d) 925, C. C. A. 3rd.

On the bare merits of the matter, it would be extremely difficult, and certainly unnecessary, to add to the opinion of the Court of Appeals below, which exhibits a painstaking study and analysis of the law, and a clear statement of the reasons for its applicability to the facts of the present cause.

The petition apparently predicates its plea for allowance on three major contentions, namely:

(1) The repeated characterization of the filing of the present declaratory judgment suit by Respondent as a "hasty" action which, because of its alleged haste, should be vitiated (*e. g.* Brief p. 10);

(2) The asserted utilization of the Declaratory Judgment Act by an alleged infringer for "procedural fencing" so as to deprive a patent owner of his "important privilege of trying the issue in the district where the infringement was committed" (*e. g.* Brief pp. 12, 11); and

(3) An asserted utilization, by an alleged infringer, of the Declaratory Judgment Act "as an instrument of oppression" with which "to harass the patent owner" (*e. g.* Brief pp. 12, 11).

1. The first of these contentions at once will be seen to be quite absurd in view of the fact that Petitioner's notice of infringement was sent to Respondent on December 8, 1939, and the present suit under the Declaratory Judgment Act was not filed until January 13, 1941—*more than a year thereafter*—throughout which period of time Petitioner took no steps to adjudicate its claim on its twenty patents, and brazenly admits in its argument (p. 11) that the suit which *was* initiated in Ohio on May 15, 1940, was confined to but *two* of the patents in the hope (subsequently dissipated by the decree of the Ohio Court in that case) that these two

patents, alone, would be sufficient to bring Respondent to its knees in abject surrender. The inevitable result of such reasoning is that it now becomes a certainty that it was the *deliberate* purpose of Petitioner to hold the other twenty patents over the head of Respondent as a number of intimidating clubs, to be separately and successively wielded against Respondent at Petitioner's whim, when and where Petitioner decided.

2. The second contention is also quite specious, and was effectively answered by the Court of Appeals below in the following language (R. 34):

> "Certainly, the defendant cannot be heard to complain that the suit has been brought in the District of its domicile rather than in the District where the plaintiff is located."

It should be noted that the present declaratory judgment suit was instituted in Delaware (the State of Petitioner's domicile) not as a matter of choice or election, but because that was the *only* place where jurisdiction over Petitioner could be secured.

3. The third argument advanced by the petitioner requires no comment beyond pointing out that it is an outstanding example of Hitlerian logic, with which we have become increasingly familiar in recent years. Petitioner, with an oppressive litigious history which, it is believed, has not been equalled in patent history, wailingly complains that it, a patent owner, is being attacked and harassed by a big, bad infringer—and this solely because the alleged infringer has availed itself of a legislative remedy created and designed to curb the vicious practice, policy, and use of patent rights which Petitioner has indulged in, and which, abstractly, has already been judicially characterized as a "racket".

Conclusion.

The petition should be denied.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Respondent.

FLOYD H. CREWS,
of Counsel.

[2098]

LAWYERS PRESS, INC., 165 William St., N. Y. C.; 'Phone: BEekman 3-2300